

12M005

3 ECTS

Empirical Macroeconomics

Overview and Objectives

A distinctive feature of Walrasian economies is that all markets clear. That is, no delay takes place when trading is mutually beneficial. This immediate implication is at odds with the empirical evidence in many markets: unemployed workers coexist with vacant jobs in the labor markets, buying/selling in the housing market is not so instantaneous, singles take time to find a suitable partner, etc. Modern macroeconomics has widely incorporated frictions, for instance, in financial, housing or marriage in addition to labor markets.

In this course, we will first look at some empirical evidence on labor market outcomes. Then, we will learn theoretical models that can explain the evidence, and use them to discuss labor market policies. The material will be uploaded to the course Box folder.

Course Outline

1. Implications from a perfectly competitive equilibrium model. Empirical evidence.
2. Search and matching models of a frictional labor market.
 - a. Exogenous supply of jobs. The worker's search decision.
 - b. Two-sided random search
3. Policy Analysis. Unemployment Insurance.
4. Job and wage polarization.

Required Activities

TO BE DETERMINED BY PROFESSOR

Evaluation

Students are expected to successfully complete 3 homework sets and a final exam. Furthermore, each paper covered in class will be assigned randomly to a student for a 5-minute summary.

Professor's Information

You can reach me (Javier Fernández-Blanco) at Javier.fernandez@uab.cat. My office is B3-188 at the Economics Department of the UAB.

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Materials

Main Textbooks:

Pissarides, C. (2000) *Equilibrium Unemployment Theory*, MIT Press.

Ljungqvist, L., and Sargent, T.J. (2004). *Recursive macroeconomic theory*. MIT Press.

Articles:

Acemoglu, D. and D.H. Autor (2012). "Skills, Tasks and Technologies: Implications for Employment and Earnings," *Handbook of Labor Economics*, 4.

Blanchard, O., and F. Giavazzi (2003). "Macroeconomic Effects of Regulation and Deregulation in Goods and Labor Markets." *The Quarterly journal of economics* 118.3: 879-907.

Blanchard, J.O., and J. Tirole (2008). "The joint design of unemployment insurance and employment protection: a first pass," *Journal of the European Economic Association* 6.1: 45-77.

Card, D., Chetty, R. and A. Weber (2007). "Cash-on-Hand and Competing Models of Intertemporal Behavior: New Evidence from the Labor Market," *Quarterly Journal of Economics*, 122(4): 1511-1560.

Chetty, R. (2008). "Moral Hazard vs. Liquidity and Optimal Unemployment Insurance," *Journal of Political Economy*, 116(2):173-234.

Feldstein, M. and D. Altman (2007). "Unemployment insurance savings accounts," *Tax Policy and the Economy*, Volume 21 (pp. 35-64), MIT Press.

Hopenhayn, H. and J.P. Nicolini (1997). "Optimal Unemployment Insurance," *Journal of Political Economy*, 105, 412-438.

Jaimovich, N. and H.E. Siu (2012). "The trend is the cycle: Job polarization and jobless recoveries," (No. w18334) National Bureau of Economic Research.

Katz, L.F. and B. Meyer (1990). "Unemployment insurance, recall expectations, and unemployment outcomes," *The Quarterly Journal of Economics*, 973-1002.

Krusell, P., T. Mukoyama, and A. Şahin (2010). "Labour-market matching with precautionary savings and aggregate fluctuations." *The Review of Economic Studies* 77.4: 1477-1507.

Ljungqvist, L. and T. Sargent (2008). "Two Questions About the European Unemployment," *Econometrica*, 76:1, 1-29

Meyer, B. (1990). "Unemployment insurance and unemployment spells," *Econometrica*, 58:4, 757-782

Petrolongo, B. and C. Pissarides (2001). "Looking into the black box: a survey of the matching function," *Journal of Economic Literature* 39: 390-431

Pries, M. and R. Rogerson (2005). "Hiring Policies, Labor Market Institutions, and Labor Market Flows," *Journal of Political Economy* 113:4, 811-839

Rogerson, R., R. Shimer and R. Wright (2005). "Search Models of the Labor Market: A Survey," *Journal of Economic Literature*, 43, 959-988.

Shimer, R. and I. Werning (2008). "Liquidity and Insurance for the Unemployed," *American Economic Review*, 98(5): 1922-1942.